
**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
POLICY SUBCOMMITTEE
OF THE
INVESTMENT COMMITTEE**

MINUTES OF MEETING

February 17, 2009

A meeting of the Policy Subcommittee was held on Tuesday, February 17, 2009 in the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 5:35 p.m. and the following members were present:

Henry Jones, Chair
George Diehr, Vice Chair
Louis F. Moret
Charles Valdes

Other Board members present:

Patricia Clarey
David Gilb, represented by Greg Beatty
Bill Lockyer, represented by Rosalind Brewer

AGENDA ITEM 2 – APPROVAL OF THE DECEMBER 2008 MEETING MINUTES

On **MOTION** by Mr. Diehr, **SECONDED**, and **CARRIED** to approve the December 15, 2008 meeting minutes as presented.

AGENDA ITEM 3a – TOTAL FUND, Discussion of Policy on Leverage

Farouki Majeed, Senior Investment Officer, provided an overview of staff development of risk metrics on a fund-wide basis as part of an integrated and holistic approach to risk management beyond the traditional quantitative risk measures such as standard deviation and tracking error.

The proposed leverage policy will be presented at the April 17, 2009 Policy Subcommittee meeting.

AGENDA ITEM 3b – TOTAL FUND, Revision of Policy on Currency Overlay Program

Farouki Majeed, Senior Investment Officer, presented the item. Michael Schlachter, Wilshire Associates, was available to respond to questions from the Subcommittee.

Staff recommended the following changes to the Currency Overlay Program policy:

- Apply the currency exposure aggregate at the Total Fund level, rather than at the international equities level.
- Revise the benchmark from 25% of the developed market international exposure to 15% of the Total Fund foreign currency exposure.

Staff and Wilshire Associates will collaborate on any Program refinements by June 2009.

Staff also recommended deletion of the proposed Custodian responsibility language (Section III.A.4) to be consistent with the Policy Review and Consolidation Project objectives.

On **MOTION** by Mr. Diehr, **SECONDED**, and **CARRIED** to recommend to the Investment Committee approval of the revised Statement of Investment Policy for Currency Overlay Program, as revised.

AGENDA ITEM 4 – ASSET ALLOCATION, Revision of Policy on Asset Allocation Strategy

Farouki Majeed, Senior Investment Officer, presented the item. Michael Schlachter, Wilshire Associates, was available to respond to questions from the Subcommittee. Staff recommended the following changes to the Asset Allocation Strategy policy:

- To accommodate extreme volatility and urgent liquidity needs, the Investment Committee previously approved expanding policy ranges. The policy has been updated to reflect these changes. New targets and ranges will be selected by the Investment Committee following the Asset Allocation workshop.
- Substitute language in Section VI.B. ensures consistency with the language in the Affiliate Funds policy.
- Settlement time for swaps will be increased from “monthly” to “quarterly or more frequently” to align with the settlement period for some currency swaps.
- The specific leverage limit has been eliminated. Program leverage limits will be specified in the individual program policy.

On **MOTION** by Mr. Moret, **SECONDED**, and **CARRIED** to recommend to the Investment Committee approval of the revised Statement of Investment Policy for Asset Allocation Strategy.

AGENDA ITEM 5 – SUPPLEMENTAL INCOME PLANS (SIP), Revision of Policy on SIP CalPERS Risk-Based and Target Retirement Date Funds

Rick Roth, Senior Portfolio Manager, and Geraldine Jimenez, SIP Division Chief, presented the item. Andrew Junkin, Wilshire Associates, was available to respond to questions from the Subcommittee.

Staff recommended widening previously established ranges for selected funds around existing policy targets to allow more flexible rebalancing. This is expected to reduce the costs associated with rebalancing.

On **MOTION** by Mr. Moret, **SECONDED**, and **CARRIED** to recommend to the Investment Committee approval of the revised Statement of Investment Policy for SIP CalPERS Risk-Based and Target Retirement Date Funds.

AGENDA ITEM 6 – POLICY REVIEW AND CONSOLIDATION PROJECT UPDATE

Kami Niebank, Division Chief, Policy and Business Services, provided a status report on the Policy Review Project, which began in 2007 and is scheduled to be complete in June 2009. Staff plans to present recommendations for future courses of action related to policy review and updates at the April Policy Subcommittee meeting.

AGENDA ITEM 7 – 2009 ANNUAL AGENDA ITEM CALENDAR

The Subcommittee accepted the Annual Agenda Item Calendar as presented.

AGENDA ITEM 8 – DRAFT AGENDA FOR APRIL 2009

The Subcommittee accepted the proposed April 17, 2009 agenda as presented.

AGENDA ITEM 9 – PUBLIC COMMENT

There were no public comments.

The meeting was adjourned at 5:55 p.m.

The next Subcommittee meeting is scheduled for April 17, 2009 at a time to be determined in Sacramento, California.